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DEPARTMENT OF AGRICULTURE

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DEMAND and PRICE SITUATION

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Approved by the Outlook and Situation Board, May 18, 1956

SUMMARY

Farm product prices in general have continued to rise in recent months following the seasonal peak in marketings. The index of prices received by farmers in mid-April averaged 4 percent higher than in mid-December. Average prices of both crops and livestock products advanced but the largest gain was in prices of meat animals. Prices paid by farmers for production and family living items have also moved up slightly in recent months. The ratio of prices received to prices paid (parity ratio) in April was 82, the same as March but was 2 points above December. Since mid-April, central market prices of many farm products have strengthened. Increases occurred for feed grains, soybeans, potatoes and livestock products.

Economic activity in the second quarter is continuing at the level of the first. Business investment outlays for new plant and equipment are advancing further from the record first quarter level and Government expenditures are still moving upward. Rising consumer incomes support a high level of consumer buying, but auto sales are lagging. The rate of inventory accumulation also slowed somewhat by the end of the first quarter.

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ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1955		1956				
		Year	Apr.	Jan.	Feb.	Mar.	Apr.	
Industrial production <u>1/</u>								
Total.....	1947-49=100	139	136	143	143	141	142	
All manufactures.....	do.	140	138	145	144	142	144	
Durable goods.....	do.	155	151	160	158	157	159	
Nondurable goods.....	do.	126	126	129	130	128	128	
Minerals.....	do.	122	119	131	130	130	130	
Total outlay for new construc- tion <u>2/</u>	Million dollars	42,250	3,525	3,462	3,454	3,461	3,499	
Residential.....	do.	16,600	1,391	1,286	1,265	1,264	1,271	
Total civilian employment <u>3/</u>	Million	63.2	61.7	62.9	62.6	63.1	64.0	
Nonagricultural.....	do.	56.5	55.5	57.3	57.1	57.4	57.6	
Unemployment.....	do.	2.7	3.0	2.9	2.9	2.8	2.6	
Income:								
Nonagricultural payments <u>2/4/</u> #...	Bil. dol.	288.4	283.7	298.6	299.0	300.9		
Production-worker payrolls <u>5/</u> #...	1947-49=100	152.9	146.7	159.2	157.9	158.3	156.8	
Weekly earnings of production- workers in manufacturing <u>5/</u> ...	Dollars	76.52	74.96	78.55	78.17	78.78	78.39	
Durable.....	do.	83.21	81.58	84.87	84.05	84.46	84.66	
Nondurable.....	do.	68.06	65.91	69.83	69.65	70.49	69.60	
Prices:								
Wholesale prices, all com- modities <u>5/</u>	1947-49=100	111	110	112	112	113	114	
Commodities other than farm and food.....	do.	117	116	120	121	121		
Farm.....	do.	90	94	84	86	87	88	
Food, processed.....	do.	102	102	98	99	99	100	
Prices received by farmers <u>6/</u> #...	1910-14=100	237	247	226	226	230	233	
Crops.....	do.	238	252	231	231	239	240	
Livestock and products.....	do.	237	242	221	220	221	227	
Prices paid, interest, taxes and wage rates <u>6/</u>	1910-14=100	281	284	281	280	282	284	
Items used in living.....	do.	273	274	272	272	274	274	
Items used in production.....	do.	250	254	246	245	246	248	
Parity ratio.....		84	87	80	81	82	82	
Consumer price index <u>5/</u>	1947-49=100	114	114	115	115	115		
Food.....	do.	111	111	109	109	109		
Government purchases of goods and services <u>2/ 7/</u> #.....	Billion dollars	75.9				77.5		
Federal (less Government sales):	do.	45.8				45.8		
State and local.....	do.	30.1				31.7		

Annual data for the years 1929, 1932 and 1939-55 appear on page 39 of the April 1956 issue of The Demand and Price Situation.

1/ Federal Reserve Board.

2/ U. S. Department of Commerce.

3/ Bureau of the Census.

4/ Monthly totals seasonally adjusted at annual rates.

5/ U. S. Department of Labor, Bureau of Labor Statistics.

6/ U. S. Department of Agriculture, Agricultural Marketing Service.

7/ Quarterly totals seasonally adjusted at annual rates.

Revised series.

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Industrial output increased a point in April to 142 (1947-49=100), 4 percent above a year earlier. Steel mills continue to produce near rated capacity in response to heavy requirements for expansion of business plant and equipment and for inventories. But automobile assemblies were curtailed in April as dealers' sales fell considerably below March. High level output of nondurable goods and minerals was maintained during April.

Total construction outlays increased about seasonally in March and in April. Private residential construction firmed somewhat in April but a recovery of the magnitude suggested by earlier reports of rising loan applications and contract awards has yet to develop. Nonresidential building outlays are well above a year ago.

Commodity Highlights

Market supplies of hogs and heavy fed cattle have turned downward. Hog slaughter after mid-summer will be less than in the past year. From all evidence, the fall pig crop seems likely to be smaller this year than last.

Production of milk continues to show sizable increases over a year earlier; output per cow is up sharply from the relatively high rate of 1955.

Egg production has passed its seasonal peak and prices are above the seasonal lows of late April and early May. Broiler prices in mid-April were about a fourth below 1955 and are likely to remain low for the next few months.

Soybean prices have increased sharply over the past month reflecting heavy exports; mid-May prices were 10 percent over mid-April and 25 percent above May of last year. Flaxseed prices moved up in May under the stimulus of strong world demand to a level 15 percent above a year earlier.

Prices of most feeds have advanced during the past few weeks, as the large quantities placed under price support have limited "free" supplies.

The July 1, 1956 carryover of wheat is expected to be about 1,080 bushels, of which CCC may own or control all but around 55 million bushels.

The estimated rice carryover on August 1, 1956 is nearly 37 million hundredweight, or more than two-thirds of 1955 production.

Grower prices for most fruits were somewhat higher in April than a year earlier.

With larger supplies of fresh spring vegetables in prospect, prices received by farmers will probably average a little lower this spring than last.

Potato supplies will be smaller during late spring and summer than a year earlier, and prices are expected to average higher.

The monthly average price for cotton has increased each month since October and in April amounted to 35.50 cents per pound. This price rise has accompanied a steady movement of cotton into CCC storage.

Mill consumption of apparel wool in the first quarter was about 12 percent and of carpet wool 23 percent above a year earlier. Imports are also up a little more than one-fifth.

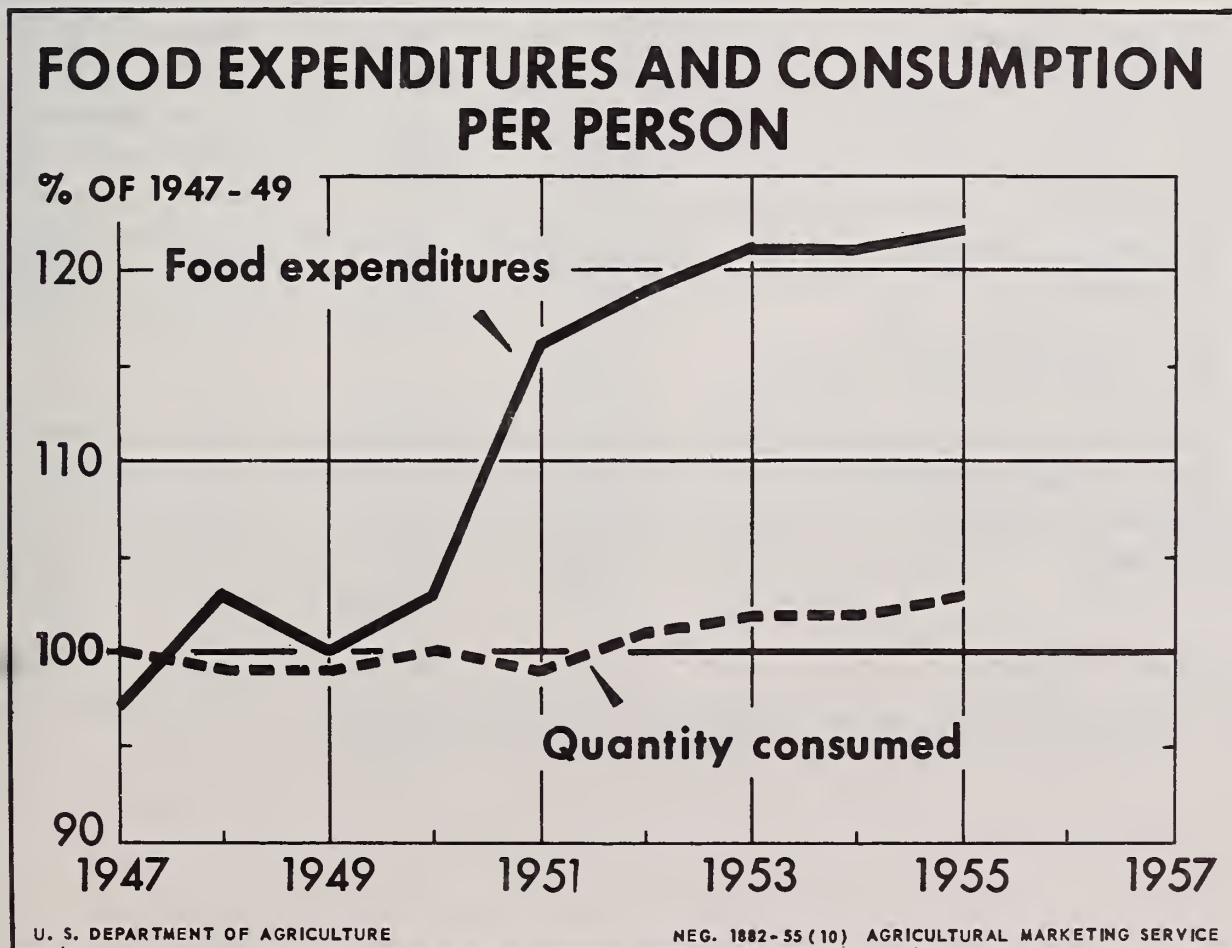
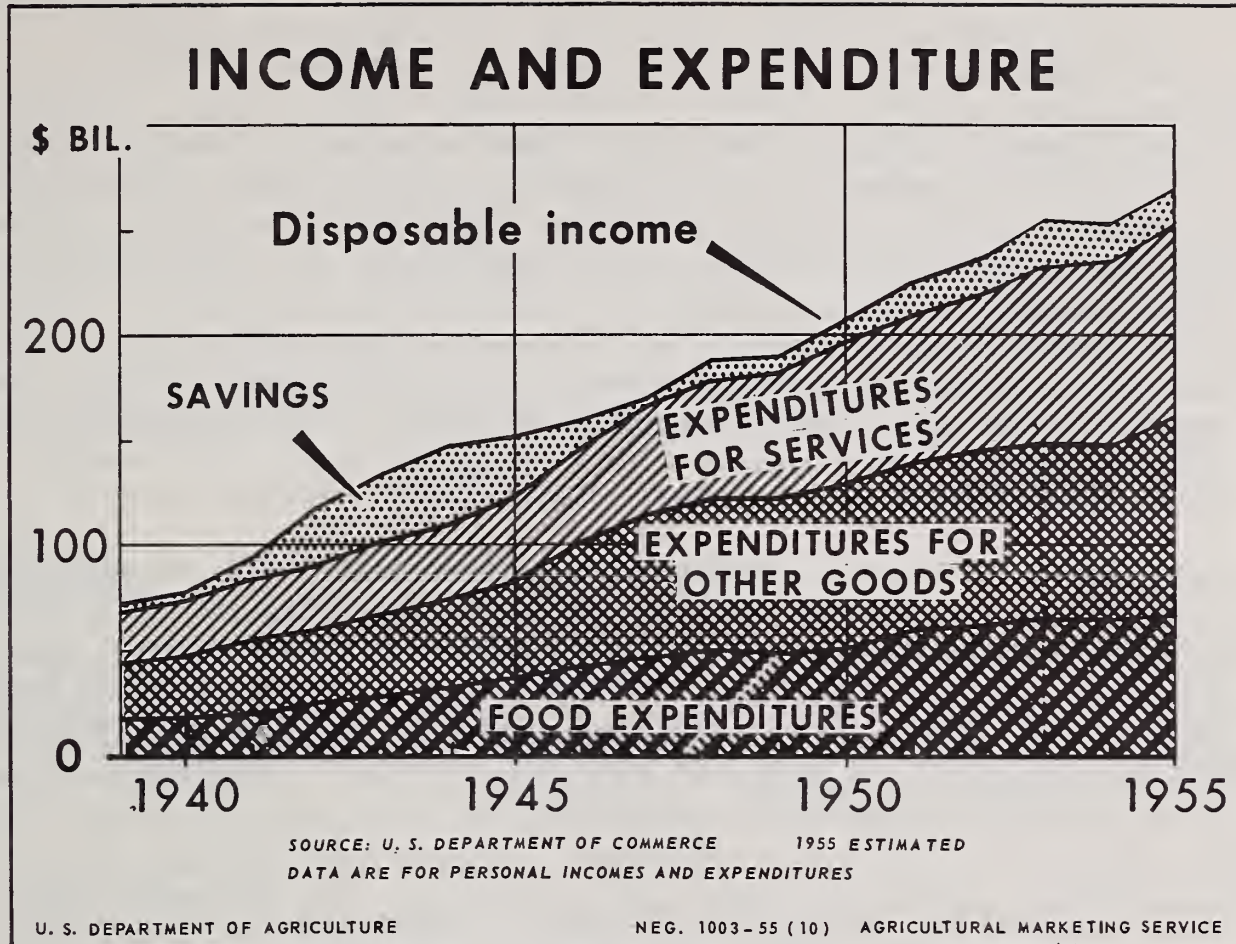
The 1955 crop of Maryland tobacco was about one-fifth smaller than a year earlier; auctions opened on May 1 with grade prices considerably higher than a year earlier.

GENERAL ECONOMIC SITUATION

Economic activity thus far in the second quarter has held close to the levels of the first quarter. Total output and employment have changed little except for seasonal fluctuations. The number of jobless remains relatively small--3.9 percent of the civilian labor force in April. Consumer income has advanced steadily and will probably continue high in coming months. Inventory accumulation slowed somewhat in April and further easing may occur if auto output is reduced. With the economy operating at near capacity levels, wholesale prices of many products continue to rise.

Consumer Income and Spending

Consumer income advanced throughout the first quarter, reaching an annual rate of 315 billion dollars in March, 19 billion above March 1955. This exceeded fractionally the peak reached last December when dividend payments were unusually heavy, and was 1 1/2 billion dollars higher than in February. Most of the February-March increase occurred in wage and salary disbursements and is due to higher average earnings; employment changed



little in March. Increased earnings for 1 to 2 billion workers, chiefly in food, apparel, lumber and textile industries, resulted from the March 1 increase in the minimum hourly wage for workers in industries engaged in interstate commerce.

Consumer income, after taxes, was at an annual rate of 277 billion dollars in the first quarter, up a billion from the closing months of 1955. The figure for the first quarter of 1955 was 261 billion dollars. Although the growth in consumers' disposable income has slowed in recent months, current trends suggest a further expansion in the second quarter. As most industries are continuing to operate at near capacity, employment is expected to remain high and increases in wage rates are in prospect. Dividend and interest payments also are likely to continue upward in the second quarter.

Credit Buying Rises Slowly

During March, consumers increased their net short and intermediate term indebtedness by one-fourth billion dollars to a total of 35.5 billion of consumer credit outstanding. The slower gain this March than a year earlier reflected lagging auto sales and the heavy repayments being made on debt contracted last year. These factors, added to the possible effects of tighter credit, will tend to keep the rate of growth of instalment credit in the coming months well below a year earlier.

Table 1.--Short- and intermediate-term consumer credit outstanding, March 31, 1956, and year-ago comparison

Type of credit	:	:	: Increase or decrease during:			
			: Mar. 31,	: Mar.	: Mar.	: Year ended
			: 1956	: 1956	: 1955	: Mar. 31,
			:	:	:	: 1956
			: Mil.	Mil.	Mil.	Mil.
			: <u>dol.</u>	<u>dol.</u>	<u>dol.</u>	<u>dol.</u>
Instalment credit, total	:		27,964	+180	+466	+4,990
Automobile paper	:		14,565	+168	+412	+3,512
Other consumer goods paper	:		6,137	- 72	- 5	+ 658
Repair and modernization loans	:		1,599	0	- 20	+ 69
Personal loans	:		5,663	+ 84	+ 79	+ 751
Noninstalment credit, total	:		7,572	+ 84	- 36	+ 598
Single-payment loans	:		2,839	+110	+ 54	+ 358
Charge accounts	:		2,933	- 41	- 96	+ 198
Service credit	:		1,800	+ 15	+ 6	+ 42
Total consumer credit	:		35,536	+264	+430	+5,588

Source: Board of Governors, Federal Reserve System.

Retail Sales Off
Slightly in April

The volume of retail trade has changed little since the start of 1956. In April, total retail sales showed a small decline after seasonal adjustment to a level 2 percent below March but slightly above a year earlier. Department store sales, however, advanced during the month to 122 percent of the 1947-49 average, 2 1/2 percent above a year ago. Weekly indexes reveal some further expansion of department store sales in late April and early May.

A slight decline in February in sales of both durable and nondurable goods was more than offset by gains in the following month. Among the business groups registering gains in sales in March were food stores, gasoline service stations, and drug and proprietary stores. The lumber, building and hardware group and apparel stores showed lower sales in March.

Auto Sales
Down in April

Dealers sold about 575,000 passenger cars during March, some 12 percent more than in February. But in April, sales fell to about 520,000. Auto inventories have held steady around 900,000 since February; lagging sales have prevented any decline in stocks. Because of lagging sales and heavy inventories, the automotive industry is at present regarded as the main weak spot in the industrial economy. However, auto sales thus far in 1956 are high when judged by any other year than the exceptional performance of 1955.

Investment Demand

Among the most buoyant factors now influencing economic activity is the strong demand for investment goods. Plant and equipment outlays by business rose to an annual rate of about 33 billion dollars in the first quarter and are expected to reach 35 billion in the second quarter. Much of this increase has occurred in manufacturing industries with substantial additions to plant and equipment by producers of iron and steel, motor vehicles, chemicals, and petroleum and coal products. Public utilities are also undertaking sizable expansion programs.

Thus far in 1956, contracts awarded for heavy construction have run well in excess of the same period of 1955. Public construction is also rising. A seasonal increase of about 40 percent occurred in expenditures for highway construction during April. Outlays for all types of construction advanced seasonally in April to a total of 3.3 billion dollars, the same as the record figure of last April.

Table 2.--Gross national product, seasonally adjusted annual rates, first quarter 1956, and quarterly 1955, with percentage change

Item	1955					Percentage change first quarter 1956 from first quarter 1955
	1956					
	Jan.-	Apr.-	July-	Oct.-	Jan.-	
	Mar.	June	Sept.	Dec.	Mar.	
	Bil.	Bil.	Bil.	Bil.	Bil.	Pct.
	dol.	dol.	dol.	dol.	dol.	
Gross national product	:375.3	384.8	392.0	397.3	398.6	6.2
Personal consumption expenditure	:245.8	250.5	255.7	257.2	258.8	5.3
Durable	: 34.4	35.1	36.9	34.8	33.9	-1.5
Nondurable	:122.4	125.3	127.0	128.8	129.9	6.1
Services	: 89.0	90.2	91.8	93.6	95.1	6.9
Gross private domestic investment	: 54.1	60.1	60.5	63.2	62.4	15.3
New construction <u>1</u> /	: 31.2	32.6	33.2	32.3	31.6	1.3
Producers' durable equipment	: 21.5	23.2	24.9	25.5	26.8	24.7
Change in business inventories	: 1.5	4.3	2.4	5.3	4.0	
Net foreign investment	: -.4	-.7	0	-.3	0	
Government purchases of goods and services	: 75.8	74.9	75.8	77.2	77.4	2.1
Federal (excl. sales)	: 46.4	45.2	45.5	46.3	45.7	-1.5
National security	: 41.2	40.4	40.6	41.0	40.8	-1.0
State and local	: 29.4	29.7	30.2	31.0	31.7	7.8

^{1/} Includes expenditures for crude petroleum and natural gas drilling.

Residential Construction

The value of residential construction declined in the first quarter to a seasonally adjusted rate of 15.3 billion dollars, a billion dollars below the fourth quarter of 1955. But several indications suggest that activity in the second quarter will be no less than in the first and may be higher. Residential contract awards in 37 Eastern States rose sharply in March to a new monthly record, and continued upward in April. Private non-farm housing starts have held practically unchanged, after seasonal adjustment, since February. Residential construction outlays turned up by the usual seasonal amount in April. And applications for VA appraisals increased substantially for the fourth successive month, though applications for FHA mortgage commitments were off slightly from the preceding month.

Inventory Rise Slackens

Inventory accumulation, which was rapid throughout most of 1955 and early 1956, abated in March. At month-end manufacturing and trade inventories had a book value of 84.8 billion dollars, 6 billion more than a year earlier. On a seasonally adjusted basis, the increase during March was .2 billion, compared with an increase of .8 billion in February. Manufacturers' and wholesalers' inventories continued upward in March, though more slowly than in February. However, both durable and nondurable goods in hands of retailers declined, probably because of expanding retail sales. In relation to sales, inventories are still not exceptionally large.

Industrial Output And Employment

Industrial Production Up Slightly in April

The Federal Reserve Board's index of industrial production dropped 2 points in March to 141 percent of the 1947-49 average but moved back up to 142 in April. Durable manufactures led the April advance as production rose 2 points to 159, a point above February but 1 percent below the peak output of the last quarter of 1955. Output of primary metals and electrical and nonelectrical machinery showed substantial gains. Among nondurable manufactures, chemicals and petroleum products continued their upward trend. Production of textiles and apparel also increased during April. Minerals output has been steady since February.

Table 3.- Indexes of industrial production of major industrial groups, average January-April 1955 and 1956 with percentage change

(1947-49=100)			
Group	1956 Jan.-Apr.	1955 Jan.-Apr.	Percentage change
			<u>Percent</u>
Durable manufactures	158	148	6.8
Primary metals	147	133	10.5
Metal fabricating	169	159	6.3
Clay, glass and lumber products	138	134	3.0
Furniture and miscellaneous	134	125	7.2
Nondurable manufactures	129	123	4.9
Textiles and apparel	110	106	3.8
Rubber and leather products	124	122	1.6
Paper and printing	140	132	6.1
Chemicals and petroleum products	166	152	9.2
Food, beverages and tobacco	111	107	3.7
Minerals, total	130	121	7.4

Steel Output
Presses On Capacity

Steel output continues at near capacity and orders now on hand assure a high rate of production into the third quarter. Reduced shipments to the automotive industry have been offset by increasing consumption of steel in structural shapes, machine tools, railroad rolling stock and defense materials. Much steel is also being added to users' inventories in anticipation of higher prices for steel. The possibility of a work stoppage when the present wage contract expires on June 30 also may be encouraging users to stock-pile steel and to place orders well in advance of needs.

Manufacturers' Sales
Off Slightly in March

Manufacturers' shipments in March edged down slightly from February, on a seasonally adjusted basis, to an annual rate of 27.1 billion dollars, about a billion dollars more than in March 1955. The decline from February was concentrated in sales of durable goods. Nondurables showed a small increase. Manufacturers' sales of automobiles held up well in March, as production continued at about the same weekly rate as in February. In April, however, production was again cut back, with the result that only about 530,000 cars were delivered to dealers, 25,000 less than in March.

New orders for manufactured goods also slipped during March as a result of a decline of .7 billion dollars in orders for durable goods. New orders have been running ahead of sales for the past year and a half, but they are now approximately in balance. The backlog of unfilled orders remained practically unchanged in March at 57.2 billion dollars, 9 billion dollars more than a year earlier.

Employment Rises
Seasonally; Unemployment Down

Civilian employment rose 900,000 between mid-March and mid-April to 64,000,000, a record for the month. Most of the rise occurred in agriculture and reflected a seasonal increase in activity. Construction and some service trades also reported increased numbers of workers. Employment in manufacturing industries was virtually unchanged, as gains in lumber and wood products, food, and electrical machinery offset reductions in the number at work in the transportation equipment and apparel industries. During the month ended in mid-April, unemployment dropped seasonally to 2.6 million, 0.4 million below a year ago.

Farm employment, as reported by the Agricultural Marketing Service, rose seasonally to 7,754,000 in April. Numbers of both family workers and hired laborers increased. Nevertheless, the farm work force was 4 percent smaller than at the same time last year, and 8 percent less than the 1951-55 average.

Production workers in factories put in an average of 40.2 hours a week in April. This was two-tenths of an hour less than a month earlier, but the decline was slightly less than seasonal. Average weekly earnings in manufacturing, at \$78.39, were also down slightly from March, but were at a record level for April.

Commodity Prices

The index of wholesale prices in March averaged 112.8 (1947-49=100), up nearly 3 points from a year ago. Weekly indexes suggest that wholesale prices have continued to rise into early May. With the moderate recovery in farm product prices so far this year, wholesale prices of nearly all major groups of commodities are now moving upward. However, the metals group, which had been leading the advance since last fall, has leveled off in recent weeks, though price increases for finished steel are likely. The rise in textile prices also appears to have slackened.

Consumer prices still fail to reflect the uptrend in prices at the wholesale level. The consumer price index in March stood at 114.7 (1947-49=100), fractionally above the previous month. This was the first advance since last November. Consumer prices are now only slightly above a year ago. Rising food prices were largely responsible for the increase in March. Housing costs were unchanged and transportation declined. The other components of the index strengthened slightly.

Farm Prices Up;

Parity Ratio Unchanged

The index of prices received by farmers increased 1 percent to 233 (1910-14=100) during the month ending mid-April. The index was 4 percent above December but still 6 percent below April a year ago. Declines during the month for tomatoes, milk, and poultry and eggs were more than offset by price increases for hogs, potatoes, beef cattle, and corn. The largest increase was for the meat animals group, up 7 percent over the month but 12 percent below April 1955.

Prices paid by farmers for commodities, interest, taxes, and wage rates (the parity index) also rose nearly 1 percent from mid-March to mid-April to 284 (1910-14=100), up 2 percent from last December and the same as a year earlier. The increase in April largely reflected the rise in the wage rate index, which is now 4 percent above April of last year. In addition, costs of feed, feeder livestock, and seed rose while prices of fertilizer declined. Prices paid for family living items were unchanged. With both prices received and prices paid up, the parity ratio in mid-April remained at 82 (1910-14=100), compared with 87 a year ago.

Central Market Prices Rise
Further in Early May

The strengthening in major farm product prices on central markets in April continued through the first 2 weeks of May. Livestock and products, soybeans, and potatoes have shown the most consistent upward movements. As of mid-May, Maine Katahdin potatoes at New York were 6 percent above a week earlier and 26 percent above mid-April. North Georgia broilers rose 4 percent from a month earlier, while at Chicago, barrows and gilts and slaughter cows (utility) were both up about 2 percent and slaughter steers averaged steady. Mid-western eggs increased 5 percent. The feed grains lost some of their gains in early May but were still considerably above mid-April. Corn No. 3 Yellow, at Chicago, declined 4 percent during the second week of May but was 4 percent above a month earlier. Prices of soybeans, No. 1 Yellow, Chicago, were up more than 12 percent over the 4-week period.

Surplus Disposal Operations

At the end of March, the investment of the Commodity Credit Corporation in price support commodities amounted to 8.7 billion dollars, up nearly 1.5 billion from a year ago. Part of this investment represents carrying charges, which are currently running at a rate of about 1.3 million dollars a day.

The CCC's total investment as of March 31, 1956 is made up of inventories costing 5.7 billion dollars, and loans outstanding of 3 billion. The increase since a year ago was in inventories. Over 80 percent of the CCC investment is in three commodities: wheat, cotton, and corn. A year ago these commodities accounted for 75 percent of a total investment of 7.3 billion dollars.

The net increase in CCC investment took place despite active efforts to move price support commodities into consumption. Government disposal operations, both foreign and domestic, are currently running at an annual rate of about 1 3/4 billion per year, according to CCC reports of disposition commitments (table 4). These commitments represent firm contracts made by CCC covering commercial sales (including those financed under Government export programs), noncommercial sales, transfers to the armed forces and foreign governments, exchanges and donations. Domestic sales cover commodities which in fact may be, but are not required to be exported under special export price provisions. Overall disposition commitments during the 10 months ending April 1956 were valued at 1.4 billion dollars, about 15 percent above the corresponding period a year ago. The increase is in foreign dispositions, due mainly to operations under Public Law 480, with the largest gains (\$150 million) in barter activities.

Table 4.--Summary of CCC disposition commitments, FY 1955 and 1956
(July through April)

Disposition	Valuation	July 1, 1954 to April 30, 1955 <u>Million dollars</u>	July 1, 1955 to April 25, 1956 <u>Million dollars</u>
Domestic			
Commercial sales	:Dollar return:	267	242
Transfers	: do. :	63	56
Donations	: CCC cost :	122	46
Total	:	452	344
Foreign			
Commercial sales <u>1/</u>	:Dollar return:	446	545
Noncommercial sales	: do. :	3	5
Transfers to I.C.A. <u>2/</u>	: do. :	67	91
Barter	: do. :	99	256
Donations	: CCC cost :	188	204
Total	:	803	1,101
Total dispositions <u>3/</u>	:	1,259	1,448

1/ Including those under foreign currency sales purchase authorizations by the Department of Agriculture and International Cooperation Administration. 2/ For emergency relief shipments. 3/ Including losses from fire, theft, spoilage, etc.

Foreign disposition commitments of CCC stocks during the first 10 months of the current fiscal year totaled over a billion dollars, 300 million more than in the previous year. The biggest increase was in cotton as a result of the 1 million bales made available on a bid basis on January 1, 1956. Sales of rice for foreign currency increased nearly tenfold. The increased barter activity, noted above, resulted in larger movements of coarse grains. Disposition of dairy products rose as a result of stepped up donations, restricted use sales, and generally lower U. S. export prices. These increases more than offset the declines in cottonseed and linseed oil brought about by the reduction of CCC supplies.

Domestic disposition commitments totaled about 350 million dollars, 100 million less than last year. Corn declined, due largely to completion of donations under the Emergency Feed Program which had been put into effect as relief for areas stricken by the 1954 drought. Domestic disposition of cottonseed oil and dried milk declined as CCC holdings were greatly reduced. Domestic sales of butter and cheese were lower than last year because of market conditions.

Commodity	Unit	Domestic disposition		Foreign disposition		Total $\frac{1}{2}$	
		Fiscal year 1955	Fiscal year 1956	Fiscal year 1955	Fiscal year 1956		
Wheat	Mil. bu.	22	12	190	228	213	240
Corn	Mil. bu.	111	66	38	66	148	131
Oats	Mil. bu.	15	7	9	28	24	35
Rye	Mil. bu.	1	2	2	8	3	10
Barley	Mil. bu.	4	4	26	84	30	88
Grain Sorghums	Mil. cwt.	9	5	8	35	17	41
Rice, milled basis	Mil. lb.	72	191	39	561	111	751
Flaxseed	Mil. bu.	1	1	7	2	7	3
Soybeans	Mil. bu.	2	8	---	5	1	12
Dry edible beans	Mil. lb.	79	49	86	154	165	203
Linseed oil	Mil. lb.	6	27	104	65	110	91
Cottonseed oil, refined	Mil. lb.	159	51	620	85	779	136
Tung oil	Mil. lb.	2	23	---	---	2	23
Peanuts	1,000 tons	9	54	3	---	12	54
Cotton	1,000 bales	5	152	56	1,028	61	1,180
Wool	Mil. lb.	7	31	2	---	8	31
Tobacco	Mil. lb.	2	2	1	---	2	2
Dry milk	Mil. lb.	216	52	3/371	478	3/587	531
Butter	Mil. lb.	158	98	4/176	4/187	4/334	285
Cheese	Mil. lb.	93	38	98	129	191	167

1/ Total of unrounded quantities. 2/ Less than .5. 3/ Includes dry whey. 4/ Includes oil.

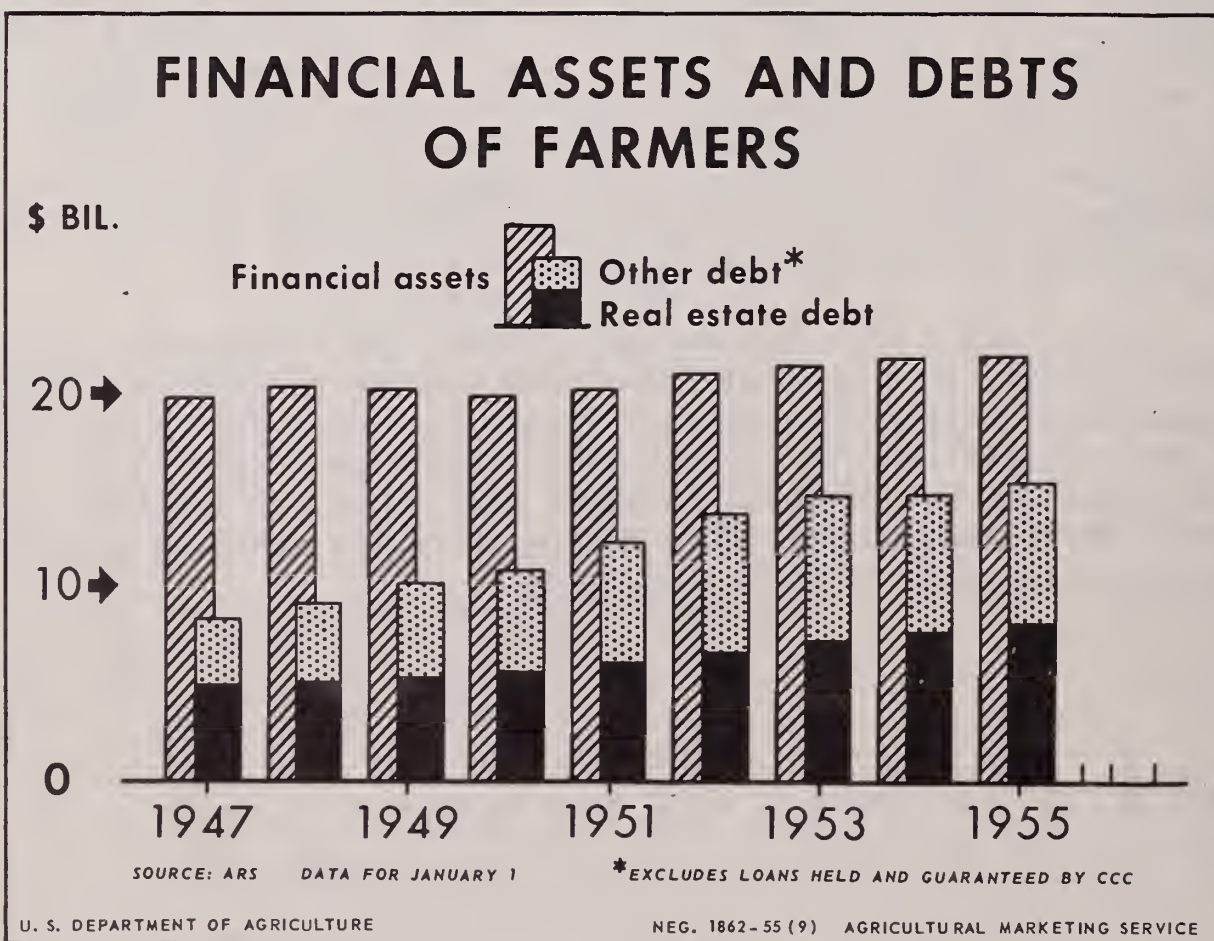
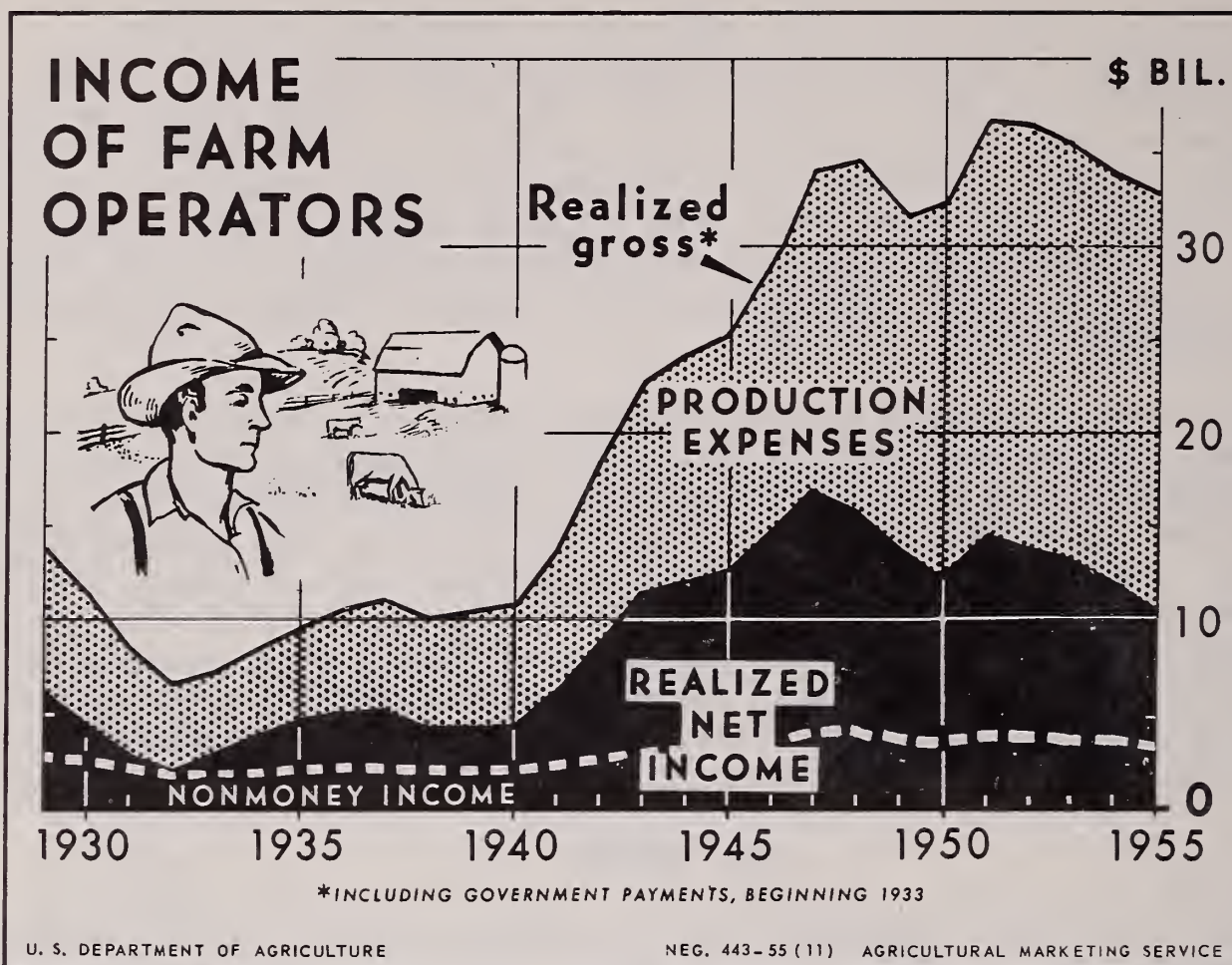
During the 9 months ending in March 1956, actual shipments under the various titles of Public Law 480 were at a rate more than double that in the 1954-55 fiscal year. The greatest increases were in sales for foreign currencies of cotton, edible oils and rice. Total shipments under P.L. 480 during the first 9 months of the fiscal year were valued at about 700 million dollars. Together with programs under the Mutual Security Act, and Export-Import Bank loans, Government programs probably will account for the export of commodities having an export value of close to 1 1/4 billion dollars by the end of the fiscal year. This would be equal to 40 percent of total farm exports during 1954-55.

The scope of foreign dispositions may be greatly increased in the coming year. Cotton previously authorized or sold under special Government export programs should move out in quantity. Increased shipments of grains to Europe are likely as a result of their severe winter and poor spring growing conditions. Legislation is now pending to increase authorization under the foreign currency sales and emergency relief provisions of P.L. 480, as well as to make additional funds available to pay ocean transport on donated commodities distributed to needy persons abroad through private relief agencies. In addition, this Government is currently studying a NATO proposal to create a food stockpile using United States surpluses of such commodities as wheat.

FARM INCOME

Farmers received approximately 7.9 billion dollars from marketings in the first 4 months of 1956, down 5 percent from last year. Prices averaged 6 percent lower, but the total volume of marketings was slightly larger. Receipts from livestock and products were 5.0 billion dollars, down 4 percent from the corresponding period in 1955, with prices 8 percent lower and marketings up a little. Slightly larger cash receipts from milk only partly offset lower receipts from cattle and hogs. Crop receipts of 2.9 billion dollars declined 5 percent, mostly because of lower prices. Receipts from soybeans and tobacco were down from a year ago, reflecting smaller marketings. Declines in receipts from wheat, corn, potatoes, and truck crops were due to lower average prices.

Total cash receipts from marketings in April are tentatively estimated at 1.9 billion dollars, up 7 percent from March because of slightly higher prices and seasonally larger marketings. Prices were down from April 1955, however, so cash receipts were 4 percent lower than a year ago. Cash receipts from livestock and products in April were about 1.3 billion dollars, 3 percent above March because of higher prices of cattle and hogs together with some seasonal increase in milk production.



Compared with April of last year, increased dairy receipts did not offset a decline for meat animals, so total receipts from livestock and products were down slightly. Crop receipts of 0.6 billion dollars were about 15 percent above March as higher prices resulted in larger receipts from wheat, soybeans, and potatoes. Crop receipts were down from April 1955, however, mostly because of lower prices.

LIVESTOCK AND MEAT

Market supplies of hogs and of heavy fed cattle, large throughout the fall and winter, have turned downward. The reduction is partly seasonal. However, with fewer cattle reported on feed April 1 and fewer sows farrowing spring pigs, the overall level of livestock marketings in coming months will be lower than in the recent winter season. This is a significant let up from past expansion. It is not a major reversal of trend. Hog production will remain less than in the past year but cattle production will continue large, as cow numbers are being fully maintained.

The number of cattle on feed in 14 States on April 1 was 8 percent less than in April 1955. About the same number of heavier cattle as last year but fewer light cattle were on feed. Marketings of fed cattle thus will likely decrease in months ahead. Unless a great many young stock are put on feed soon the supply of fed cattle for slaughter in late summer and early fall could be considerably below the large supplies of last year. Prices of fed cattle have strengthened and may continue gradually upward, regaining last year's level sometime in late summer or fall. Prices of grass cattle will likely decrease seasonally and, reflecting the unsatisfactory feeding profits last winter, may remain for some time below the prices of a year earlier.

According to indications from hog producers in 9 States, spring farrowings for the United States probably are being reduced by somewhat more than the 2 percent planned earlier. In the same 9 States producers intend to reduce summer farrowings (the first half of the fall pig crop) 8 percent. From all evidence, the fall pig crop seems likely to be smaller this year than last.

Slaughter of hogs will remain above last year until about mid-summer. Sometime after that it will drop to around last year's level, and then fall below last year. Prices are expected gradually to close the gap with last year's prices. They will probably average at least as high this fall as last, and not drop as low as late last year.

Production of meat in commercial establishments, which has been above year-earlier estimates since last July, in January-March was up 11 percent from a year before. The margin over a year earlier will narrow this summer and by October-December meat production may be around 2 percent below the same months of 1955. The 1956 total output is forecast at 3 percent above 1955, and consumption per person at 162½ pounds compared with 161 pounds last year.

DAIRY PRODUCTS

Production of milk continues to show sizeable increases over a year earlier. The number of cows apparently is about the same as last year but the rate per cow is showing an increase over the comparatively high level of early 1955. Heavier grain feeding, improved quality cows and better management are long-term factors tending toward larger output. Moreover, in recent months price relationships have been more favorable for milk production than in several years.

In April, support prices for manufacturing milk were raised 10 cents per hundredweight and the butterfat support level was increased 2.4 cents per pound. The Government raised the purchase price for butter 2 cents per pound and that for cheese 1 cent per pound to carry out the increase in support prices. Prices of these products in commercial channels increased by like amounts but up to early May, prices of other manufactured products had not changed. Prices for factory products had been comparatively stable since April 1, 1954. In late April and early May, through certain suspension orders and amending actions, the usual seasonal declines in class I prices were eliminated for the summer months in certain Federal order markets. This had the effect of increasing class I prices in these markets over levels originally provided by the existing formulas, by amounts ranging from the equivalent of less than $\frac{1}{2}$ cent per quart to more than a cent. These actions--both for manufacturing and for fluid uses--will increase returns to farmers over the \$4.00 per 100 pounds received in 1955 for all milk sold wholesale.

With larger sales and higher prices, cash receipts from dairy products will be above the 1955 level. They will approximate the record high of 4.6 billion dollars received in 1952.

Consumption of fluid milk and the several manufactured dairy products will show an increase in 1956 over 1955. The gain in use of milk and its products may about equal the increase in farm milk production. Consequently, the volume of price-support purchases in the 1956-57 marketing year probably will be near the 1955-56 total of approximately 5 billion pounds, milk equivalent, 4 percent of farm production. Commodity Credit Corporation stocks of butter and dry milk are at very low levels but a substantial quantity of cheese still is on hand.

POULTRY AND EGGS

The springtime hatch of replacement chicks, now drawing to an end, shows only a small increase over 1955. On May 1, the number of young replacement chickens on farms was 2 percent more than a year earlier, and cumulative hatchings of replacements to that date were 7 percent above

1955. In view of the larger number of hens that will have to be replaced this fall, numbers of layers on farms January 1, 1957 are likely to be very close to a year ago.

Recent sharp increases in feed costs from the levels of early spring may have been a factor limiting the late-season hatch of replacement chicks. Prices of the principal basic feedstuffs--corn and soybean meal--at whole-sale have risen about 20 percent in the last 2 or 3 months, although the increase in feed prices paid by farmers has so far been less than half that percentage.

Higher feed prices have not deterred hatchings of broiler chicks and heavy turkeys. Numbers of broilers now growing, and hatching egg settings to the beginning of May in important producing areas, total about 20 percent larger than comparable 1955 figures. April hatchings of heavy-breed turkeys were 23 percent above last April. Eggs of heavy-breed turkeys in incubators May 1 were 15 percent more than last May 1. The projected hatch of heavy turkeys from January through May is about 50 million birds, about a fourth over 1955. This is much larger than a 2 million reduction, 20 percent, in prospective hatchings of light breed poults through May.

Egg prices declined from early April to early May and then rose. The passing of the season peak of production, and an increased interest in storage after the size of the replacement hatch became known suggest that the seasonal price decline has run its course. Iowa farmers received 32-34 cents per dozen for Grade A large eggs on May 16, compared with 28-30 cents a year earlier.

Broiler prices in recent months have been below 1955, and are likely to continue so for the next few months. In mid-April the United States average price was 20.5 cents per pound, compared with 28.4 a year earlier.

OILSEEDS, FATS AND OILS

Soybean prices increased sharply during the past month and in mid-May were 10 percent more than in mid-April and nearly 30 percent above last May. Crushings and exports through April were at record levels--about 27 million and about 7 million bushels, respectively, above a year ago. Heavy crushings are being encouraged by a strong export demand for edible oils, reflecting short olive crops in 1955-56, a small sunflower crop in Argentina last year and a high level of industrial activity in Europe. Prices for soybean products have advanced considerably in the last month or two and soybean prices have increased relative to the total value of the products obtained from a bushel of beans.

Bean supplies apparently are tightly held. A large percentage of the remaining supply appears to be owned by processors who would weigh the advantages of crushing the beans themselves against selling them on the open market. The quantity of beans in the hands of people who intend to sell them as such is comparatively small. The quantity of beans on farms as of April 1 was about half last year's total. Soybean meal in mid-May was selling for about 15 percent more at wholesale than a month ago and about the same percentage above the comparable date a year earlier. Soybean oil prices, along with those for the other edible oils, are well above last month and about 30 percent more than a year ago.

Strength in edible oils influenced lard prices which moved up somewhat, despite large stocks. Stocks on April 1, at 233 million pounds, were nearly 100 million more than last year. Probably more lard is being substituted for edible vegetable oils in shortening and other food products as lard prices still are well below those for the edible oils.

Tallow and grease prices also have strengthened as production probably has passed its seasonal peak and exports continue at a record rate. Exports in October 1955-April 1956 totaled about 880 million pounds, 175 million above a year ago. Domestic consumption is about the same as last year.

Flaxseed prices moved upward in May, under the stimulus of a strong world demand. Prices in mid-May were about 15 percent more than last year. Through mid-April, farmers redeemed 5.7 million bushels of the 7.1 million placed under loans. Practically all of the remainder, as well as the 1.7 million bushels put under purchase agreements and for which data are not yet available, also probably will be redeemed.

FEED

Prices of most feeds have advanced during the past few weeks with corn and many of the other feeds reaching the highest level so far this season. Corn prices have risen much more than seasonally from the low level of last fall influenced by the large quantity under the price support program and the resulting prospects for increasingly tight "free" supplies in the latter part of the marketing year. Prospects for smaller 1956 acreages of feed grains, unfavorable weather for feed crops this spring, and the announced increase in the support level for corn also have influenced feed prices in recent months.

The price of No. 3 Yellow corn at Chicago has increased about 30 cents per bushel in the past 2 months to an average of \$1.54 for the first week in May. This was a little higher than a year earlier. Increases in prices of the other feed grains were more moderate. With supplies of free corn limited, corn prices probably will continue firm during the next 2 or 3 months.

Prices of oats and barley probably will decline seasonally later this spring and summer but the drop may be less than usual since current prices are not much above the 1956 supports. Prices of most of the byproduct feeds have advanced along with the grain prices and many of these feeds in early May were near or above the levels at that time last year.

The disappearance of feed grains during October-March was about 7 percent above the comparatively small disappearance in this period last year, and nearly equal to the 1949-53 average. The combined stocks of corn, oats and barley on April 1 totaled 80 million tons, the largest on record and 5 million more than a year earlier. Nearly half of this was under loan or owned by CCC and "free" stocks were a little less than on that date last year. The carryover of feed grains into 1956-57 probably will be around 10 percent larger than the record of 39 million tons in 1955. The carryover of corn on October 1 is expected to increase to around 1,150 million bushels, 12 percent larger than last year.

The total quantity of feed grains placed under the price support this year is expected to equal, if not exceed, the record of 18 million tons in 1948. Through April 15, 366 million bushels of corn had been placed under price support, much more than the 259 million bushels during the entire 1954-55 crop year. While the quantities of the other feed grains placed under price support were below the record amounts in 1954-55, they were larger than in any other previous year.

The supply of oilseed meals available for feeding for the 1955-56 feeding year is expected to total about 9.1 million tons compared with 8.5 million tons last year. During the first 6 months of the current season production has been much higher than a year earlier. The increase in supplies available in the last half of the feeding season is not expected to be as great as the 9 percent increase in the first 6 months.

WHEAT

The average price received by farmers in mid-April was \$2.03, compared with \$1.97 a month earlier and \$2.09 a year earlier. This was the highest average mid-month price for the season. While prices at Portland continue at close to the mid-April level, prices at other markets generally are below prices in mid-April. Cash winter wheat prices usually adjust downward at this time of the year. In the period of heavy market movement in late June, July and August, prices usually go substantially below the announced loan rate. For example, in late August 1955, the price of No. 2 Hard Red Winter at Kansas City was 33 cents below the announced loan rate for that market. Then, as the season advanced, prices rose seasonally and reflected the strengthening influence of the operation of the support program. Variations in weather during the spring can have an important effect on prices.

The carryover July 1, 1956 is now expected to be about 1,080 million bushels. The CCC may own or control all but around 55 million bushels compared with about 32 million bushels of "free" wheat a year earlier. Some new-crop wheat is also available before July 1.

Total supplies of wheat for 1955-56 are indicated at 1,967 million bushels, including the carryover on July 1, 1955 of 1,022 million bushels, the 1955 crop of 938 million and imports of about 7 million bushels. Domestic disappearance is expected to total about 610 million bushels and exports 275 million.

A 1956 winter wheat crop of 681 million bushels was indicated as of May 1 and a spring crop of 188 million is indicated on the basis of the March 1 report on intended plantings and average yields. This would mean a crop of around 870 million bushels, assuming about average conditions for the rest of the growing season. With total disappearance currently running just under 900 million bushels, some reduction in the carryover may be expected during the 1956-57 marketing year.

A national marketing quota for the 1957 crop of wheat, which is subject to approval by growers voting in a referendum on July 20, was proclaimed by the Secretary of Agriculture on May 15. At the same time, the Secretary also established the national acreage allotment for the 1957 crop at 55 million acres, the level specified by the law under present conditions of excessive supply. This is the fourth successive year that abnormally large wheat supplies have required the proclamation of marketing quotas and the third successive year for which the national acreage allotment has had to be set at 55 million acres, the minimum specified by law. All the wheat we are likely to need from the 1957 production, determined according to the formula in the legislation, could be produced on an acreage of about 12.4 million acres. If it were not for the legal "minimum", the national allotment could have dropped to that level.

RICE

Our national carryover of rice (rough equivalent) increased from 1 1/2 million cwt. on August 1, 1953 to nearly 30 million cwt. on August 1 last year. The carryover for August 1, 1956 is expected to be up an additional 7 million cwt., despite a substantial cut in 1955 production below the 1954 level. Production in 1956 on a still further reduced acreage allotment is expected to be about 45 million cwt.

The surplus problem stems in part from the fact that production was stepped up during the war and early postwar years to meet the strong world demand. Thus, beginning in 1942, a larger crop has been produced almost each successive year, except in 1950 and 1955 when allotments were in effect. Twenty years ago we were seeding almost two-thirds the acreage we are now seeding, and yields were

only about three-fourths as much as now. Despite recent heavy cuts in acreage, our prospective production is still double the 1936 level.

The loan rate on 1956 rice has been increased from the \$4.04 previously announced to a minimum of \$4.50 for rough rice, or 83 percent of parity. If parity advances so that $82\frac{1}{2}$ percent is greater than \$4.50 at the beginning of the marketing year, the loan rate will be raised. The loan last year was \$4.66, or 85 percent of parity. The acreage allotment is 1.64 million, the minimum under a special act applicable to this year only. This allotment is 1 million acres less than the total seeded acreage in 1954 when the support level was \$4.92 or 90 percent of parity.

FRUIT

In mid-April, grower prices for most fruits tended to be somewhat higher than a year earlier. With resumption of heavy volume buying of Florida oranges by processors, coupled with unusually heavy export demand for both Florida and California oranges, prices advanced in late April and early May. Grower prices for grapefruit and apples also increased, while those of strawberries declined.

Remaining supplies of Florida oranges and grapefruit, most of which ordinarily is harvested by July 1, continue larger than a year ago. In contrast, remaining supplies of California Valencia oranges, which will provide most of the fresh oranges for use in summer, are somewhat lighter. Because of slowness of Florida Valencias in reaching maturity, output of frozen orange concentrate by April 28, 1956 had fallen 4 percent below the volume of a year earlier. But with the current heavy movement to processors, output by season end may exceed that of 1954-55. The pack of Florida canned orange juice by April 28 was 7 percent smaller than that by the same date in 1955.

Although the 1956 crop of strawberries in the late spring States is expected to be about 20 percent smaller than the 1955 crop because of freeze damage in Washington and Oregon, total production this year is expected to be about 23 percent larger. Prospective production of peaches in the Southern States, which together with California provide most of the fresh peaches during June and July, is about 29 percent smaller than the 1945-54 average but much larger than the 1955 crop, which was a near failure. In California, prospects on May 1 were for larger crops of cherries and plums, but a smaller crop of apricots, than in 1955.

With the 1955-56 pack of canned deciduous fruits packers' stocks of 10 canned fruit items combined were about 13 percent larger on April 1, 1956 than a year earlier. Wholesale distributors' stocks of 6 of these fruits were up nearly 6 percent. Coldstorage holdings of frozen deciduous

fruits and berries (excluding juices) on April 1, 1956 were about 14 percent larger than a year previously. But stocks of frozen orange juice were down 7 percent. In Florida, packers' stocks of canned citrus juices were down about 3 percent from a year earlier.

COMMERCIAL VEGETABLES

For Fresh Market

According to reports in early May, aggregate tonnage of commercial vegetables for fresh market sale is expected to be about 2 percent larger this spring than last and 14 percent more than the 1949-54 average. For the most part, the increases over a year ago occurred in crops for early spring harvest, with particularly large increases in cabbage, lettuce and onions. Among late spring vegetables, substantially larger crops than last year are in prospect for cabbage and cauliflower; prospects point to about the same production of asparagus, broccoli and lettuce as a year earlier, somewhat lighter production of onions, tomatoes and watermelons and substantially smaller tonnages of snap beans, sweet corn and cucumbers.

A larger production than last year is expected for mid-spring asparagus and a smaller tonnage of mid-spring snap beans. Production of spring beets, celery, shallots, cantaloups and honeydews promise to be larger than a year earlier, while output of lima beans, carrots, eggplant, green peppers and spinach probably will be smaller.

With prospects for slightly larger supplies of fresh spring vegetables than a year earlier, prices received by farmers are expected to average a little lower this spring than last.

For Commercial Processing

With the smaller supplies of most processed items moving at stronger prices than a year earlier, canners and freezers plan a larger pack this year than last. Early reports on 9 vegetables for commercial processing indicate that processors plan to contract or plant about 8 percent more acreage than in 1955. Intentions report indicate a 4 percent larger acreage of snap beans than a year earlier, 6 percent more lima beans, 11 percent more beets for canning, 28 percent more cabbage for sauerkraut (contract acreage only), 16 percent more sweet corn, 6 percent more green peas, 3 percent more winter and early spring spinach, 10 percent more tomatoes, and 4 percent less cucumbers for pickles. Assuming near average yield and abandonment, production of cucumbers for pickles would be substantially below that of last year, and production of snap beans would be about the same as the large crop of 1955. Tonnage of green peas would be moderately larger and

tonnages of beets for canning, lima beans, sweet corn, cabbage for kraut, and tomatoes would be substantially larger than a year earlier.

POTATOES

Marketings of early spring crop potatoes have been at a rapid rate and by mid-May movement of late spring potatoes was well underway in Alabama. Fewer potatoes are expected to be available during late spring and early summer than a year ago. Indicated production of potatoes for late spring harvest is about 3 percent smaller than in 1955, and farmers have planted a moderately smaller acreage of potatoes for summer harvest than last year. Prices received by farmers for potatoes in late spring and early summer are expected to average substantially higher than a year earlier.

COTTON

The monthly average price for middling, 15/16 inch cotton at the 14 spot markets reached a high for the 1955-56 season of 35.50 cents per pound in April. The monthly average has risen each month since October when the average of 32.93 cents was the low for the season. However, prices averaged below the average 14 spot market loan rate of 33.75 cents per pound from August through December.

The rise in prices since October has occurred as CCC held stocks of cotton (owned and held as collateral against outstanding loans) increased. On April 27 these stocks were about 13.2 million bales. This compares with 8.1 million at the start of the season on August 1 and 8.5 million on April 29, 1955.

Consumption of cotton by domestic mills from August 1955 through April 28, 1956 was about 7,072,000 bales. This was about 349,000 bales larger than during approximately the same period a year earlier. The average rate of consumption during April was 36.1 thousand bales per working day. If consumption during the rest of the season follows the normal seasonal pattern, the 1955-56 total will be about 9.2 million bales.

Preliminary data indicate an increase in the ratio of stocks of cotton broad woven goods to unfilled orders at the end of March. This

is the first increase in the ratio since April 1955. If the ratio continues to increase in subsequent months, some decline in the level of cotton consumption in the first part of the 1956-57 marketing year may occur.

Exports of cotton from August 1, 1955 through March 1956 were about 1,136,000 bales. This was 43 percent of exports during the same period a year earlier. Exports during March, of about 294,000 bales, were the largest for any month of the 1955-56 season to date. They were about 195,000 bales larger than in February, but were approximately 75,000 bales smaller than those of March 1955.

Exports for the entire 1955-56 season are estimated at less than 2 million bales. Exports financed by the United States Government may amount to about 1.5 million bales of this total. Funds now available from the International Cooperation Administration and under title I of Public Law 480 which probably will be used in financing cotton exports in fiscal year 1956-57 amount to about 193 million dollars.

Through May 8 the Commodity Credit Corporation has sold 234,031 bales of its stocks for shipment after July 31, 1956 under the 1956-57 export program. The price range for these sales, basis middling, 15/16 inch, at average location was 27.5 to 29.25 cents per pound.

The 1955 value of the 1955 crops of lint cotton and cottonseed production is estimated at 2,651 million dollars. This compares with the 1954 value of 2,645 million dollars. Despite larger production, lower prices, particularly for cottonseed, kept the 1955 value close to that of 1954.

WOOL

Prices of most wools in foreign markets early in May ranged between 5 and 10 percent higher than a month earlier. The general rise in wool prices abroad, however, has not been reflected in Boston quotations for either imported or domestic descriptions. The mid-month average of prices received by domestic growers for shorn wool advanced slightly between March and April but remained substantially below a year earlier.

Domestic mills have been using more of both apparel and carpet wool early this year than in early 1955. Use of apparel wool during the first quarter was about 12 percent and of carpet wool about 23 percent above a year earlier. The rate of apparel wool consumption during March was about 9 percent above a year earlier; carpet wool was about 13 percent above.

The higher rates of mill use have been reflected in imports for consumption. During the first 2 months of this year, imports of dutiable wools were up a little more than one-fifth from early 1955. The quantity of duty-free (carpet) wool imported was a little more than double that of a year earlier.

CCC sold slightly less than one-third of the monthly quota of 6 1/4 million pounds under the competitive bid sales program for wool during both March and April. The full quota was sold during each of the first 4 months of the program.

TOBACCO

Auctions for the 1955 Maryland crop opened on May 1, with grade prices considerably higher than on the previous crop. Market prices for auction sales through May 18 averaged 54.6 cents per pound--about 9.2 cents more than in the corresponding period of last season. The 1955 crop, estimated at 35 1/2 million pounds, is about one-fifth smaller than that of a year earlier. On April 1, stocks of Maryland tobacco in the hands of dealers and manufacturers totaled over 68 1/2 million pounds--nearly 14 percent larger than on April 1, 1955. Government price support, although not available on the 1955 crop, will be in effect for the 1956 crop at 90 percent of parity. Maryland growers in a referendum last December voted in favor of marketing quotas on the next three crops. The 1956 production of Maryland tobacco is expected to be larger than the 1955 crop, which was substantially reduced by storm damage.

The 1956 crop of flue-cured tobacco is expected to be smaller than the record 1,483 million pound crop of 1955. Acreage allotments are smaller and acreage for harvest may be about one-tenth less than in 1955. The 1956 crop of burley seems likely to be fairly near the 470 million pound crop of 1955. Burley acreage allotments are about the same as last year.

During the first quarter of 1956, cigarette output was about 3 percent above that of the first quarter of 1955. Cigar output also showed a significant gain but smoking tobacco output was lower than in the comparable quarter of last year. Output of chewing tobacco and snuff was about the same as a year earlier.

Exports of unmanufactured tobacco during July 1955-March 1956 were 21 percent larger than in the comparable period of 1954-55. Exports of flue-cured leaf, accounting for the predominant share of the total, were 25 percent greater than in the same 9 months of a year earlier but 4 percent less burley was shipped. Exports of Kentucky-Tennessee fire-cured were up about 8 percent but exports of dark air-cured were much smaller than a year earlier. Exports of Maryland tobacco during July 1955-March 1956 were about one-fourth above those of a year earlier and there were also significant increases in exports of Virginia fire-cured and shade-grown cigar wrapper.

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